


# Contract Negotiations

Project Development and Environmental Analysis Unit		Approved: 2/14/12 Version: 1.1
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## **Purpose**

The Contract Negotiation process assists PDEA Project Managers (all Sections) in producing a realistic estimate for work defined in the Scope of Services.

## **Background**

PDEA-PMs that manage Professional Services Contracts are required to submit an in-house estimate for all Final Scopes of Services with the selected Consultant. These in-house estimates will be used by the in Project Services Management Unit (PSMU) to evaluate the consultant's cost proposal for performing the required services. The PDEA Estimate Spreadsheet has been designed to ensure standardization of the format, classification(s) of personnel and salary information, payroll additives, direct costs, indirect costs, overhead and comparative fee.

For additional information reference:

[NCDOT - Policies and Procedures for Major Professional or Specialized Services Contracts](#)

[23 US Code 112 \(b\)\(2\)\(A\)](#)

[23 CFR 172](#)

[CFR Title 48, Part 36.605 and 36.606](#)

[US Code Title 40, Chapter 11, Section 1104](#)

## **Responsibility**

The following people are responsible for executing this procedure:

- ✚ PDEA-PM – is responsible for getting the most current version of the PDEA estimating spreadsheet to the Consultant-PM. Coordinating with other units.
- ✚ Consultant-PM – completing the firm's estimate.
- ✚ Project Services Management Unit (PSMU) – reviews estimates, points out areas for additional negotiation.

## **Procedures**

### Preparing the Initial In-house and Consultant Estimates

1. PDEA-PM will access the PDEA In-house Estimate Spreadsheet:

- [Task Order Spreadsheet](#)
  - Open as “Read Only” then “Save As” with a different name and date on your computer.
  - The worksheet is set up with a number of equations to perform various calculations. Be sure to check before entering information manually in a cell.
2. PDEA-PM will send an electronic copy of the blank Task Order Spreadsheet to the Consultant.
  3. The Consultant will edit the Task Order Spreadsheet, as noted below, and send the modified spreadsheet back to the PDEA Project Manager.
    - Summary Sheet Tab:
      - ✚ Fill in the project information at the top of the Summary tab. The information will be transferred to the rest of the tabs.
      - ✚ Fill in the “TASK DESCRIPTION(s)” from the PDEA tab per the Final Scope of Services. The Consultant will also insert their current “GENERAL OVERHEAD” and, if applicable, “FACILITIES COST OF CAPITAL” percentage in columns B and C.
    - Remaining Tabs:
      - ✚ The Consultant will fill in the “TASK DESCRIPTION(s)” and subtask description(s) on each section tab (PDEA, NEU, Roadway Design, Hydraulic Design, Other) in the worksheet where work will be done per the Final Scope of Services.
      - ✚ The Consultant and/or Subconsultant will also insert their current “GENERAL OVERHEAD” and, if applicable, “FACILITIES COST OF CAPITAL” percentage in columns B and C.
    - The Consultant will not insert any manday estimate information, or alter rates and/or classifications at this time.
    - Consultants will proceed to Step 4. PDEA-PM will proceed to Step 5.
  4. After the Consultant has sent the modified spreadsheet back to the PDEA-PM and it is approved, the Consultant and/or Subconsultant shall edit and populate spreadsheet as follows:
    - Complete the “Prepared By” i.e. name(s) of preparers and “Date” sections of the Summary.
    - Insert the classification(s) of personnel and/or name on both the summary sheet and the PDEA section tab. Do not remove the PDEA bracketed classification title(s), i.e. (TD-1), (TM-1), (TES-3), etc.
    - Insert the appropriate salary information for each classification for both the Consultant’s and Subconsultant’s personnel.
    - Insert manday estimate information.
    - Develop direct expenses. Refer to Allowable Non-Salary Direct Costs procedure.
    - List the major task categories from the PDEA section tab on the Summary Sheet. The manday estimate information from the PDEA tab will be automatically transferred to the Summary Sheet.
    - Attach any Subconsultant estimate(s) with their direct expenses.
  5. After the PDEA-PM has received the modified spreadsheet back from the Consultant, the PDEA Staff shall develop the in-house estimate as follows:
    - Complete the “Prepared By” i.e. name(s) of preparers and “Date” sections of the Summary.

- If the Scope of Services includes work covered by other units:
    - ✚ Send the Final Scope of Services and spreadsheet to respective units/sections (NES, HES, Roadway Design, Hydraulics, etc.) who need to prepare the in-house estimate for their discipline. Submit the request and information electronically. For NES and HES, use the Data Warehouse request form. Refer to the “Environmental Input Request” procedure for additional information on how to submit requests to NES and HES.
    - ✚ Request a ten (10) business day turn-around for completing the estimate. Note: If a hard copy of the request for in-house estimates is required by other units - allow additional time, two (2) business days, for the recipient to receive the request.
  - Develop and insert the PDEA mandays estimate into the appropriate sections of the spreadsheet.
  - Insert all other in-house estimate(s) (environmental, roadway design, hydraulics, etc.) into the spreadsheet as applicable once you have received the manday estimate.
  - Calculate the direct costs. For both the Consultant and Subconsultant do the following:
    - ✚ On the initial estimate, calculate the direct expenses at five percent (5%) of the “Total”.
    - ✚ For subsequent submissions, PDEA-PM may use the Consultant’s and Subconsultant’s direct expenses after they have been reviewed and deemed reasonable by the PDEA-PM.
  - Insert the Subconsultant(s) mandays in the “Total Mandays” box on the Summary Sheet. The Consultant’s Total Mandays will be automatically filled in based on the various tabs.
  - Upon completing the population of the spreadsheet the PDEA-PM shall submit the estimate to their supervisor for review and approval/signoff (initials and date). Proceed to Step 6.
6. Upon completion of Steps 4 and 5, the Consultant and PDEA-PM shall submit their respective estimates to the PSMU. Please send both the Microsoft Excel spreadsheet and a PDF of the spreadsheet to PSMU.
  7. Once both estimates have been received, PSMU staff will review the initial estimates for deficiencies, and then forward a copy of the consultant’s estimate by email to the PDEA Staff for negotiation. The email will summarize the major differences, if any.

The PDEA-PM should check on the status of the estimate review if they have not received the memo and estimates from PSMU after 5 business days.

#### Negotiating Final Estimates

1. Upon receipt of the copies of both estimates and the memo from PSMU, the PDEA-PM will:
  - Review the estimates and identify areas for which negotiation is needed, both in mandays and estimated direct costs, and;
  - Contact the Consultant and the other Unit/Unit/Section within NCDOT that provided portions of the in-house estimate and set up a negotiation meeting(s) within 10 work days.
2. The PDEA-PM will negotiate the following:

- First negotiate mandays with the Consultant. The PDEA Engineer will negotiate with the Consultant to within five percent (5%) of the in-house manday estimate *per discipline* included in the scope of work (roadway design, hydraulic design, etc.)
- Then negotiate cost (dollar) estimates to within ten percent (10%) of the in-house cost estimate *per discipline* as noted above.

Refer to [Tips for Negotiation](#)

The PDEA-PM will coordinate, but can choose not to participate in, the negotiation of any in-house estimate from any other pertinent Unit/Unit/Section within NCDOT and the Consultant.

3. The Consultant and PDEA-PM shall submit their respective negotiated estimates to the PSMU within 10 work days after negotiations. Once both estimates have been received, the PSMU will review the negotiated estimates and undertake one of the following:

- If deficiencies exist on mandays beyond 5%, copies of both estimates denoting major deficiencies will be sent to the PDEA-PM for negotiation, or;
- If deficiencies exist on costs beyond 10%, the PDEA-PM will set up a meeting with the following attendees:

✚ Consultant PM

✚ Group Leader

Discuss what may be done to narrow the cost differential to within the 10 percent. If the cost differential cannot be resolved at the above meeting, the Group Leader will inform the Unit Head. The Unit Head will schedule a meeting with the Consultant PM, Group Leader, and PDEA-PM.

4. If after these negotiations, the cost differential is greater than 10 %, the PDEA-PM will discuss with the PSMU on the recommended next steps. If needed, PSMU will elevate the issue to the Administrator of the Technical Services Division.
5. If the estimates are within acceptable limits, as defined in Step 3, the PSMU will begin the process to issue a Notice to Proceed.
6. If the Consultant's original cost proposal for the first Task Order is greater than 50% above the in-house estimate and it is determined that the Consultant understands the Final Scope of Services, the PSMU may choose to terminate the negotiation process with the selected firm. In this event, scoping and negotiations with the firm chosen as the first alternate will begin.

## Contacts

- For suggestions to change this procedure contact: Karen Capps, [kbcapps@ncdot.gov](mailto:kbcapps@ncdot.gov)
- For questions about performing this procedure contact: Michael Penney, [mpenney@ndot.gov](mailto:mpenney@ndot.gov); Cathy Houser; [chouser@ncdot.gov](mailto:chouser@ncdot.gov)

Record of Revision		
Version #	Reason for Revision	Revision Date
1.1	Added requirement to send a PDF of the Task Order	2/14/12

[illegible]